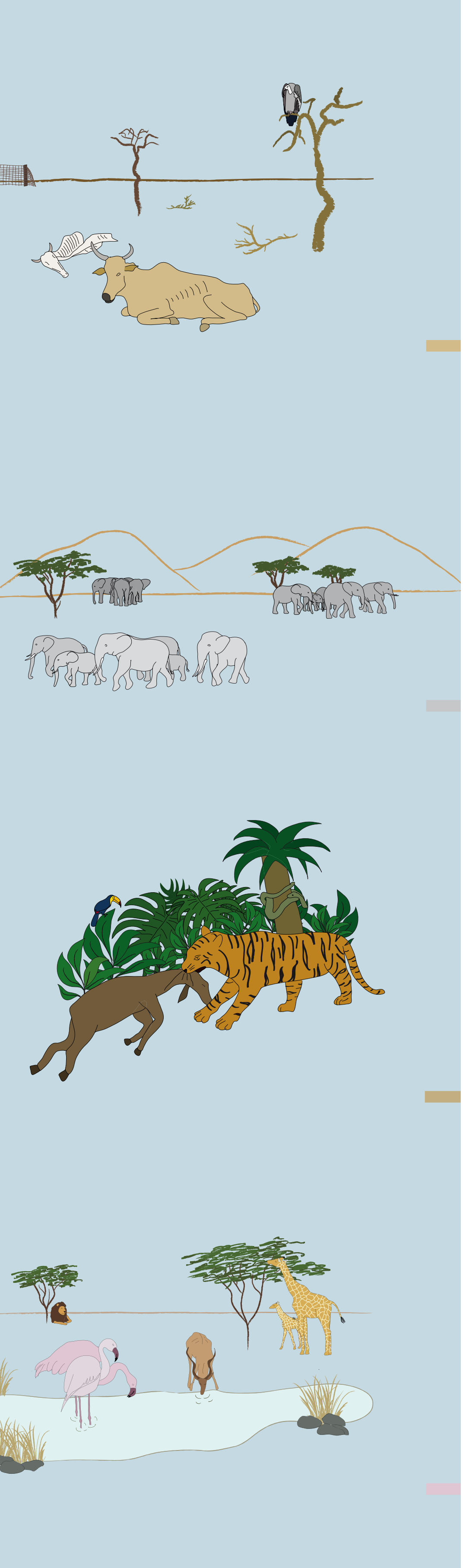

The Geneva Scenarios on

Global Economic Governance 2020

FRIEDRICH EBERT STIFTUNG

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Global Economic Governance 2020

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Preface

In the ancient days of old there once existed a powerful kingdom called Lydia under King Croesus, whose name is till today synonymous with immense fortune. At the eastern border of Lydia was the emerging power of Persia under King Cyrus. Croesus wanted to attack Persia before it became stronger than his own empire. But following the age old tradition, he first sent messengers to the famous oracle of Delphi, asking it, wether or not he should attack Persia. The answer of the oracle was: „If you attack Persia, you will destroy a great kingdom". Croesus then attacked Persia, but lost and his own empire was destroyed.

Like the ancient oracles, scenarios do not give certain predictions of the future but rather offer different pictures of possible futures, thereby enabling decision-makers and stakeholders to adapt their strategies in order to reach or avoid a certain scenario. Had Croesus better reflected the oracle's answer, he might not have attacked Persia but instead first measured the military powers of the two empires and then looked for allies to ensure his superiority. His main mistake was to mix up the oracle's answer with his own wishful thinking.

The Geneva Scenarios on „Global Economic Governance 2020" are meant to prevent such a mistake. As the present global crisis demonstrates, wishful thinking is still a major weakness of responsible leadership. Almost none, if any political or economic leader, was prepared for the financial crisis, which unfolded in 2008 and turned into the worst economic crisis since the Great Depression of the 1930s. One of the few economists, who predicted the crisis, Nouriel Roubini, said: "We have to accept, that economic models just extrapolate the developments, but cannot predict the turning points. And people in general believe, that things will continue as they are until now, only because they have been like that for a long time. The result is a collective self-delusion" (translated out of French).

To overcome this self-delusion, we need to open the eyes for things that we might not want to happen, but which could happen. We should think the unthinkable and prepare for disturbing events or discontinuities that could radically change things, which in the scenario language are called "critical uncertainties". My own experience with scenarios in South Africa (the influential "Mont Fleur" Scenarios) and in Israel had convinced me that scenarios are a useful tool when it comes to preparing the future. This might be more complicated in a global and multilateral context than in a national or regional one, but I think our "Geneva Scenarios on Global Economic Governance 2020" offer enough proof that this is possible and worthwhile. We are aware of the fact, that we are not the only ones dealing with these questions. I hope we are able to make a specific contribution to a very critical and complex issue.

This project was only possible through the joint efforts of a very committed scenario team consisting of 25 people, coming from different backgrounds and from 17 different countries. The team members have participated in the scenario building in their personal capacity. The scenarios necessarily are a compromise and reflect a consensus of the whole scenario team.

I would like to especially thank the assistant editors of the publication, Steffen Grammling and Yvonne Theemann, for their dedicated work throughout the yearlong exercise. It is their coordinating role, research, writing and technical editing that made this project possible. Gratitude is also due to Shantala Fels for her invaluable work in illustrating and designing this publication.

The publication remains under the sole responsibility of the editor.

Winfried Veit

Introduction

Why Scenarios?

"We simply do not know." This was John Maynard Keynes' famous comment on the future – and the main motivation for building scenarios. Human beings have been trying for centuries to forecast the future, in former times by consulting the oracle in Delphi, in present times by sophisticated trend extrapolation techniques. Military strategists, in particular, have always been keen in designing scenarios to be prepared for different situations. Later, the scenario technique was adapted and made operational for business as well.

Uncertainties complicate the scenario building process. As the future is completely unknown, everything is thinkable even though one might consider it improbable. Peter Schwartz got to the point by stating: Scenarios are a tool to help us "make choices today with an understanding of how they might turn out" (Schwartz 1991: 4).

How do scenarios work? They do not spell out the only possible future, but delineate different futures. It is then up to decision-makers to decide upon which future they prefer and which strategy they choose to reach. Scenario skeptics might criticize that a specific trend is exaggerated or the influence of certain factors is overestimated. Scenario advocates might accentuate that scenarios can be used as a mirror, showing reality in an unpolished way.

How are scenarios built? A scenario exercise starts by analyzing what is already known, i.e. the present situation. Current key issues in a specific area are agreed upon, dynamics that may play a crucial role in future are identified, and external events that could lead to fundamental changes are taken into account. Scenarios should be built by a heterogeneous team with different backgrounds and varying perspectives. Scenarios are not aimed at building consensus, quite the contrary; they need controversial debates to paint different and nuanced pictures of the future. Scenarios should be consistent and plausible even though "some parties to the [scenario] exercise may regard certain scenarios as exceedingly unlikely and undesirable, but no one should be able to prove any scenario impossible" (Lempert/ Popper/ Bankes 2003: 30).

The Need for a New Reform Approach

When we started our scenario building in April 2008, we were not even close to imagine what would happen months later. The food crisis was already unfolding, soon followed by the energy crisis. In autumn of that year, the financial crisis started and shortly after began biting into the real economy, resulting in the worst recession since the 1930s. We then knew, that one of the dynamics that we had identified as major "critical uncertainty" (i.e. "world depression") had already turned into reality. These calamities influenced the scenario project and showed the difficulty, but at the same time, the increased necessity, of a scenario process. The political reactions to the crises illustrated that the debate on the reform of the Global Economic Governance (GEG) system was reopened again and moved to the centre of all major international meetings.

But what should the new global architecture look like? A first modest approach called for improved coordination between the existing international organizations, i.e. the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank and the United Nations (UN). History showed that even this is difficult, as existing institutions tend to seclude themselves from each other to justify their right to exist. A second approach proposed reforms of the respective institutional frameworks and decision-making processes. However, it seems to be easier to create new institutions than to reform existing ones. Striking examples are the cautious attempts to implement some of the recommendations of the "Sutherland Report" (2004) or the "Report of the First Warwick Commission" (2007), concerning reforms of the WTO. The same is true for most of the proposals concerning the institutional reform of the Bretton Woods Institutions (IMF and World Bank) and the UN system. The G20 Summit on 2 April 2009 in London made clear that it seems more convenient to infiltrate more money into an existing system (even if it is widely considered as deficient) than to reform its structure. A third, radical approach suggests the abolishment of the Bretton Woods Institutions, but failed to put forth alternative proposals.

There is the need for an approach that is neither limited by narrow institutional thinking, nor utopian visions. This new approach, i.e. the scenario approach, allows one to overcome these shortcomings by creating a space for free, unbiased and non-ideological thinking. The growing popularity of this approach is not surprising, given the aggravating global problems: In 2007, the European Ideas Network published a comprehensive study on "The World in 2025", analyzing future global developments from an EU perspective. In 2008, French scientist Joël de Rosnay published a fascinating book entitled "2020. Les Scénarios du futur". It deals with the future of technology, a factor that plays an important role in our scenarios as both a major "driving force" and "critical uncertainty". In 2008, the American National Intelligence Council released the "Global Scenarios to 2025" and in early 2009, the World Economic Forum presented the timely study on "The Future of the Global Financial System".

These publications illustrate the increased importance of the scenario technique as well as the need for a fundamental reform of the global architecture. The Geneva Scenarios on "Global Economic Governance 2020" combine both elements and thereby seek to make a contribution to the ongoing reform debate.

Executive Summary of the Geneva Scenarios

The FES Geneva Scenarios on "Global Economic Governance 2020" offer four different scenarios on how the GEG system could look in the year 2020. Their aim is to sensitize policy-makers to possible consequences of their decisions, whether they be actions or non-actions. They are intentionally exaggerated, but not implausible. The scenarios seek to further provoke the existing debate on the reform of the GEG system by taking a fresh unorthodox look.

In order to facilitate cross-scenario comparison, all scenarios are structured along the same lines. They have the following common starting point, looking back through time from the year 2020, starting with the food, energy and financial crises in 2008.

Each scenario then develops its unique dynamic, which leads to different results. A synopsis of the proposed possible outcomes follows.

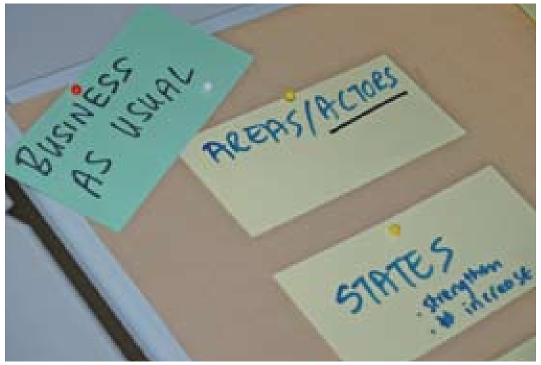
Decaying National Park:
In the year 2020, the world is dominated by contradictory regulations governed by international institutions and nation states. This impedes coherent policies and the world has not come closer to finding solutions to pressing global problems.

March of the Elephants:
In the year 2020, regional integration is the main focus for policy-making, while international organizations have been bypassed. Regionalism advances development in the countries involved, but it proved ineffective in solving global problems. The world is in a situation of uncertainty and unsustainable stability.

Law of the Jungle:
In the year 2020, the world is on the descent into the abyss. Multilateralism is dead and there is no international rule of law. The world is run by changing coalitions, mainly confronting each other instead of looking for solutions to the growing global problems.

Harmonious Nature Reserve:
In the year 2020, an efficient and transparent multilateral system with forceful legal mechanisms exists. It is based on the principles of global partnerships and shared power. Social welfare, sustainability and equality are finally within our grasp.

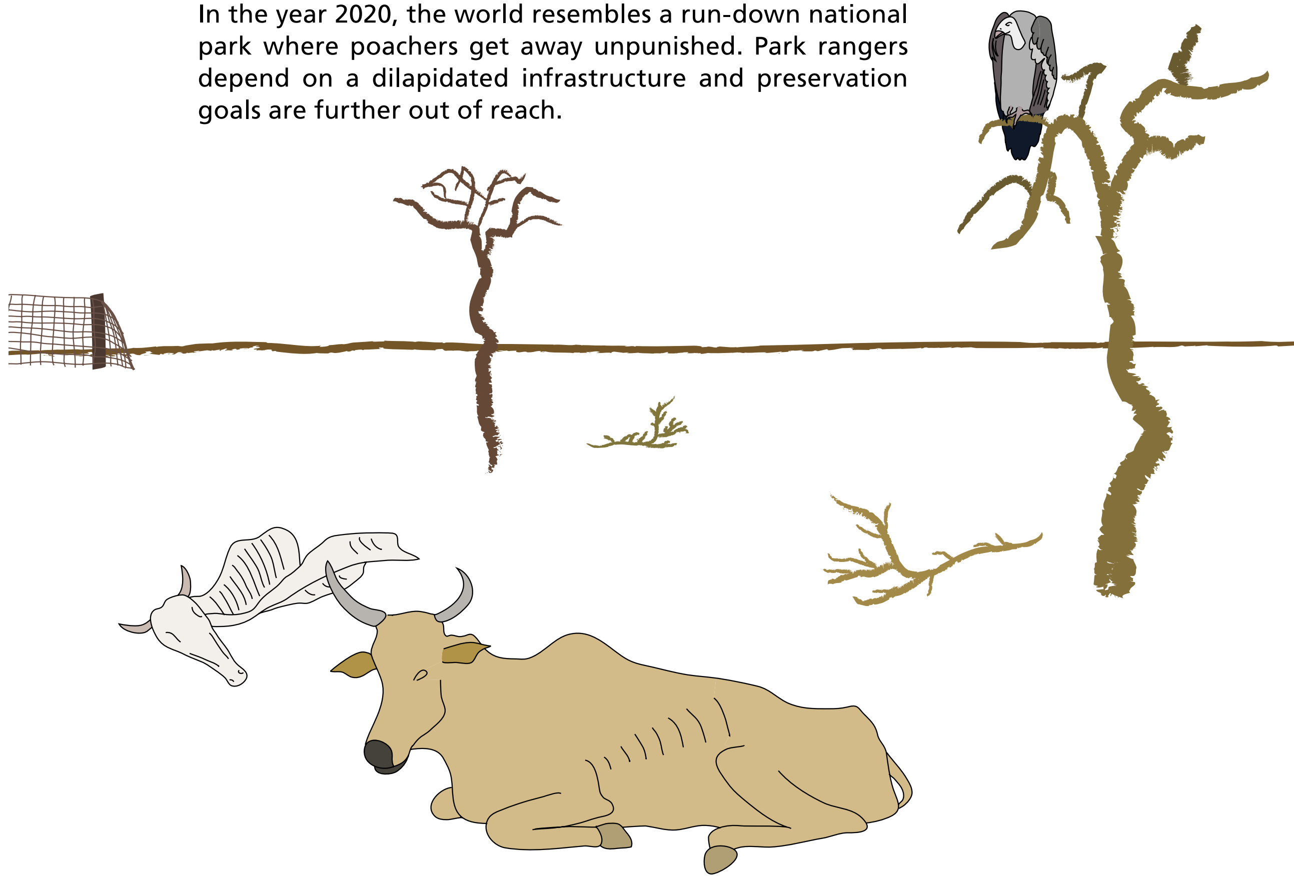
It is not intended that the reader agrees to all scenarios, much less to all details in the scenarios. Contrary, they aim to trigger a dialogue on the different pictures of the future and on the means of avoiding negative possible outcomes and achieving positive outcomes. This naturally depends on the reader's judgement and values.



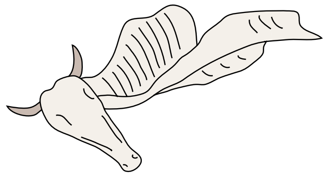
The Geneva Scenarios

Decaying National Park
business as usual

In the year 2020, the world resembles a run-down national park where poachers get away unpunished. Park rangers depend on a dilapidated infrastructure and preservation goals are further out of reach.



En el año 2020, el mundo está dominado por normativas contradictorias, determinadas por instituciones internacionales y Estados nacionales. Esto impide elaborar políticas coherentes, por lo que aún se está lejos de encontrar soluciones a los acuciantes problemas globales.



The food, energy and financial crises that had been unfolding since 2008 made overwhelmingly clear that the Global Economic Governance (GEG) system was unable to cope with these challenges adequately. Global decision-makers failed to implement fundamental reforms of the global system, muchless to recognize the need to do so.

Little has changed on the way to 2020. The worst economic crisis since the 1930s wiped out the developmental achievements of the past decade and led to tremendous social problems. In 2012, after the long depression, the world economy started to recover slowly with a moderate growth of gross domestic product, trade and financial flows. WTO's Doha "Development" Round concluded with an agreement on a least common denominator, which failed to rebalance the multilateral trade rules in favor of developing countries. The IMF only gained importance in the immediate aftermath of the financial crisis by lending mainly to Central and Eastern European countries. Wall Street and London retained their global financial roles, together with Dubai, Singapore and Hong Kong. The 2009 UN Climate Change Conference and the follow-up meetings resulted in low commitments and could not reverse the dangerous trends induced by climate change. The world economy remained dependent on fossil fuels; pollution, natural disasters and desertification increased. In 2015, the UN General Assembly had to acknowledge that the Millennium Development Goals (MDGs) were out of reach. The income and inequality gap widened within as well as between developed and developing countries.

In the year 2020, the basic structure of international organizations remains the same. Brazil, China, India and other emerging countries are on an equal footing with major Western countries in the WTO, IMF and World Bank. No decisions can be taken without the consent of these powers that resist far-reaching changes in the decision-making process. The exclusive G20 has replaced the former G8 and claims the leadership for setting the guidelines for global policies. The UN still struggles with implementing its ambitious reform agenda "Delivering as One". Civil society organizations seek to fulfill their monitoring and advocacy role, although the transparency of international organizations has not improved. They

remain excluded from decision-making. Transnational corporations reinforced their influence in the world economy by ripping off the system in favor of their interests. International regulations are too weak to restrain their corporate behavior, which is dominated by profit seeking.

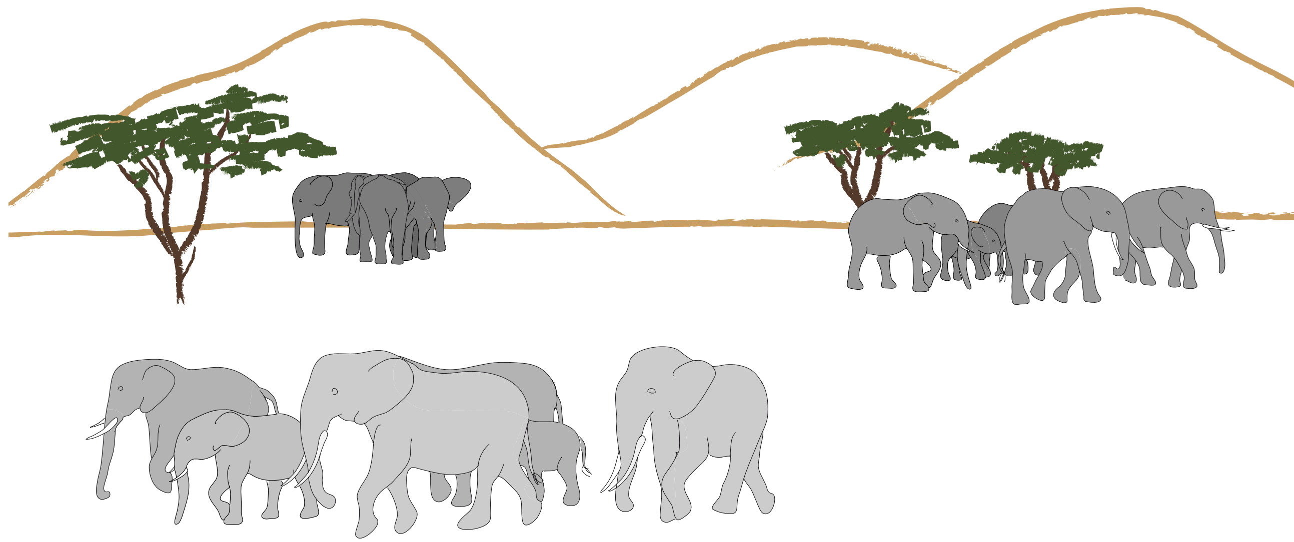
WTO rules do not adjust to the particular requirements of the current challenges. This is most noticeable by the contradiction between the recognition of core labor standards and their frequent disregard in export processing zones. Such grey areas result in an increase of trade disputes that endangers the operability of the Dispute Settlement Mechanism. The "Most Favored Nation" principle is seriously undermined by the growing number of bilateral and regional Free Trade Agreements. In order to deal with these grievances, several sectoral negotiation rounds are launched.

The Bretton Woods Institutions stick to their ideological roots and principles. The role of the IMF is questioned as most states have repaid their debts or successfully graduated and only few countries apply for new IMF credit facilities. The World Bank lost most of its importance. It does not take into account sufficiently the different economic and social structures of its partner countries. The Bank's strategy fails in supporting governments to prepare for the necessary restructuring in light of new global challenges.

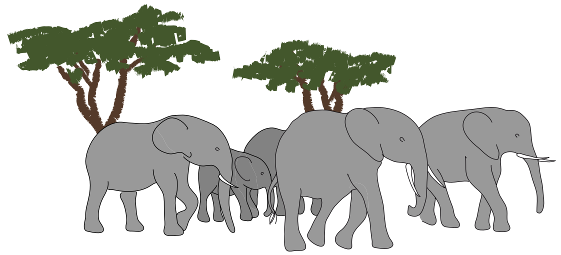
The world system lacks coordination and coherence at multilateral, regional and national levels. Governments and international organizations pass the buck to each other for this deficiency, referring to its limited mandates. Global policies are formulated incoherently and implemented by contradictory regulations. Global challenges are not tackled and global problems are not solved, but protracted once again.

March of the Elephants
competing regional blocs

In the year 2020, the world resembles a savannah, where packs of elephants cut their own paths, irrespective of their impact on the greater environment. Occasionally, clashes between groups occur.



In the year 2020, regional integration is the main focus for policy-making, while international organizations have been bypassed. Regionalism advances development in the countries involved, but it proved ineffective in solving global problems. The world is in a situation of uncertainty and unsustainable stability.



The food, energy and financial crises that had been unfolding since 2008 made overwhelmingly clear that the Global Economic Governance (GEG) system was unable to cope with these challenges adequately. The need for fundamental change of the global architecture was widely acknowledged, especially in the perspective of even greater – existential – crises.

Governments could not agree on a common basis to reform the GEG system in a way that would have lived up to their respective interests. This reinforced the frustration about the ineffectiveness of traditional international organizations (WTO, IMF, World Bank, UN). The economic situation exacerbated, evidenced by high unemployment rates, wage deflation and decreasing consumption. This triggered social unrest and sometimes even political turmoil. Major economies' governments shifted priorities and relied on their national strengths. They advanced economic integration of their region by forming strong "centers of gravity". Smaller countries with different levels of economic and social development saw no other way out than to fasten onto the main economic power in their neighborhood by a "hub and spoke" system. At the same time, countries withdrew from multilateral processes. By 2018, problems deepened and a global struggle over scarce natural resources started, which led to (even violent) clashes between the main economic powers. Later that year, the "World Council of Regions" was established as an exclusive forum for world leaders to deal with global problems.

In 2020, the WTO continues to exist. However, in practice, it has become irrelevant given the dominance of bilateral and regional trade agreements and a general disregard for WTO's dispute settlement rulings. The IMF and World Bank have lost importance and their functions were taken over by regional development banks. The UN continues to operate, but governments do not attach importance to its existent conventions and do not engage in creating new ones. The following seven blocs dominate the scene: the enlarged European Union; the US/North and Central American bloc; the China bloc; the India/South Asian bloc; the Brazil/South American bloc; the Russia/Central Asian bloc; and ASEAN.

The main economic powers meet occasionally at the "World Council of Regions" (WCR). The WCR provides the platform for ad-hoc dialogue and facilitates pragmatic solutions for global problems. The regional blocs compete for scarce resources, such as water, food, fossil fuels and minerals. When diplomatic tensions or conflicts occur, most of them are settled through bilateral meetings. However, even violent conflicts happen sporadically.

There are different kinds of "blockless" states. Some of them, such as Australia, Japan or (the unified) Korea, are strong enough to negotiate mutually beneficial trade and financial agreements. Others remain independent due to their strategic and geopolitical position (e.g. Egypt, South Africa) or due to their wealth in energy resources (e.g. Iran, Saudi Arabia). Smaller and poorer countries with little economic and political power, such as most African countries, are subject to frequent infringements by main economic powers if they possess decisive raw materials.

Transnational corporations adapted to the new structures and built regional production networks during a process of demergers and new mergers. However, doing business internationally has become more burdensome and costly.

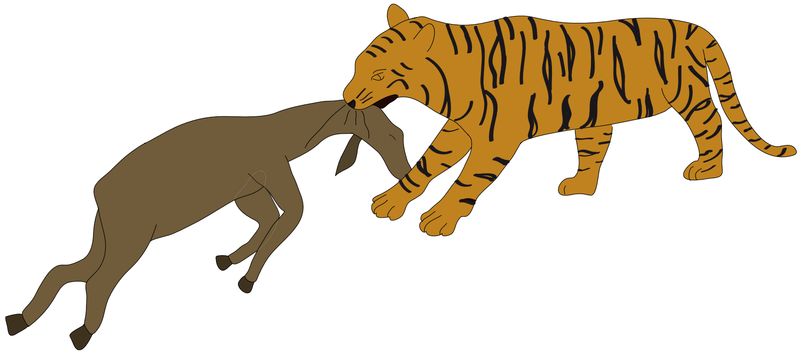
Intraregional trade dominates and trade barriers within most regions have been gradually lifted. The main economic powers are investing heavily in regional infrastructure, which facilitates stronger regional trade and production networks. Localized and regionalized water, food and energy systems are in place, although they are not always sufficient to wholly meet the demand of the region. Interregional trade occurs if there is not enough capacity for these exchanges in the respective regions themselves.

Some regions have achieved monetary integration with regional institutions acting as lenders of last resort and managing external currency fluctuations. In other regions, smaller countries have adopted the lead currency or pegged their exchange rates to it. While exchange rates within each region are thus mostly fixed, currencies between the regional blocs fluctuate. Sometimes, competitive currency devaluations occur. The WCR decisions are not sufficient to effectively address global problems, especially concerning climate change; even if minimal cooperation exists.

Law of the Jungle
towards the abyss

In the year 2020, the world resembles a jungle, where might makes right and where each animal or pack is looking after themselves fighting each other for shrinking resources.

In the year 2020, the world is on the descent into the abyss. Multilateralism is dead and there is no international rule of law. The world is run by changing coalitions, mainly confronting each other instead of looking for solutions to the growing global problems.



The food, energy and financial crises that had been unfolding since 2008 made overwhelming clear that the Global Economic Governance (GEG) system was unable to cope with these challenges adequately. But the opportunity for fundamental change of the global architecture was missed; with dire consequences.

In the wake of the global economic crisis that brought high levels of unemployment and increasing poverty, many countries adopted mercantilist strategies in an attempt to resolve the crisis by pursuing beggar-thy-neighbor policies. Countries around the world, including major economies such as the US, the EU, China and India embarked on the path of protectionism by increasing tariffs again, limiting imports and increasing trade barriers for goods and services. This further sharpened the economic downturn. Stimulus packages were handed to the various financial and economic sectors to save them from wholesale insolvency. The recession bit globally, even affecting high growth rate poles, such as China and India, whose GDPs started contracting by 2010. The fiscal deficits in the US, EU and Japan skyrocked, especially as a share of a declining GDP. Unemployment in developed countries tripled by 2012. Various developing country governments defaulted on their foreign bonds and loans from the multilateral and regional banks. Many countries that once liberalized the flow of foreign funds in and out of their countries erected barriers against credits and investments. Populist movements and nationalization campaigns made prominent foreign firms retreat from developed and developing countries alike. Domestic and international finance lived in fear and lent only to the least risky clients, which, despite its triggering crisis, still included the US government. The US and other major economies left the WTO; Russia never joined.

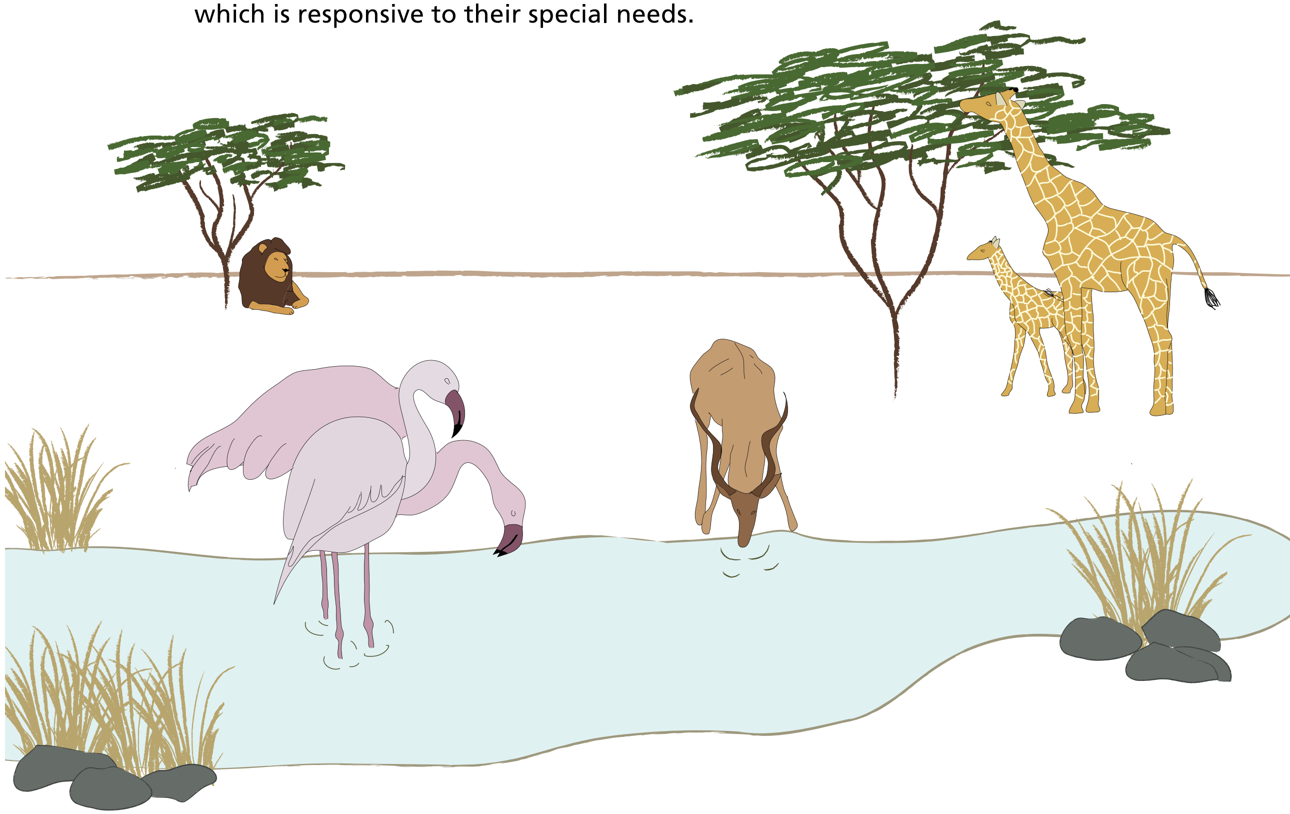
In the year 2020, multilateralism is dead. States pursue economic diplomacy on a bilateral basis or with varying coalitions. WTO does not exist anymore, nor the IMF and the World Bank, whose resources had been drying out, as most countries stopped supporting them financially. The UN has lost almost all its importance, focusing narrowly on climate change without success. The G8 has been enlarged to include Brazil, China, India and others in 2010, but the annual meetings are empty of any policy commitments. Instead, changing coalitions are trying to take advantage of the vacuum at international and multilateral levels. Bilateral trade agreements dominate and investment and monetary policies follow narrowly national interests. Some European countries left the Euro zone and went back to their old currencies. In many countries, populist and extremist movements come to power, undermining democracy, erecting protectionist walls and pursuing an aggressive foreign and sometimes neocolonial policy, especially in weaker resource-rich developing countries. The situation resembles those in the thirties of the last century.

Global problems like climate change, food and energy security have exacerbated because they were not dealt with in an effective way. Conflicts or even wars over resources have become more frequent. In coastal areas, heavy flooding has become a regular phenomenon and arable land scarce. In the Middle East, for instance, armed conflicts have already taken place over water between Israel and its Arab neighbors as well as between Turkey and Iraq; there is the impending danger of nuclear war in the region, as well as in South Asia. Russia, China and Iran are confronting each other over the energy resources in Central Asia. A new "scramble for Africa" has started between China, the US and the bigger European states in the attempt to secure access to Africa's raw materials. Around 40 countries claim the right to explore the natural resources in Antarctica, whose ice-shield is melting dramatically. But the big players themselves are threatened by the extreme nationalism prevailing in their own sphere: the EU is on the brink of collapse, and strong autonomist and even secessionist movements have come into being within other big powers like China, India and the US, threatening their capability to act on a global level and thereby adding to the weakness of the international system.

Global Economic Governance 2020 · Law of the Jungle

Harmonious Nature Reserve
true multilateralism

In the year 2020, the world resembles a well-managed nature reserve. Animals live in a protected environment which is responsive to their special needs.



In the year 2020, an efficient and transparent multilateral system with forceful legal mechanisms exists. It is based on the principals of global partnerships and shared power. Social welfare, sustainability and equality are finally within our grasp.

The food, energy and financial crises that had been unfolding since 2008 made overwhelmingly clear that the Global Economic Governance (GEG) system was unable to cope with these challenges adequately. However, it took a few more years and new crises for major actors to realize the need for fundamental change of the global architecture.

At the end of the year 2009, people did not speak about a crisis anymore but about a global calamity. Confidence in financial institutions was lost. The stumbling global economy finally tumbled by mid-2010. Reports of increasing unemployment rates all over the world hit the headlines. Politicians jumped from one summit meeting to the other, without tackling fundamental issues. The world economy started to recover slightly by 2014. By then, states had poured trillions of dollars into the financial and economic system without seriously addressing the need for more regulation and surveillance. Governmental decision-makers did not confront the real challenges. Thus, other speculation bubbles in the energy, food, raw materials and biotechnology markets hit the world by 2015. Any hope for economic recovery was squashed immediately. Henceforward, a broad social movement brought millions of people to the streets. Their message was simple but unmistakable: "Enough is enough"! Powerful coalitions of trade unions, business and NGOs from North and South called for responsible global leadership. Finally, governments felt impelled to enable real changes and, at this constitutional moment in 2016, met with trade unions, business and NGOs to shape a New Multilateral System.

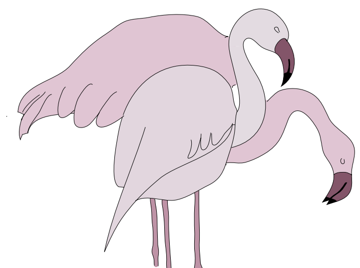
In 2020, the multilateral system has changed radically. Neither the United Nations nor the Bretton Woods Institutions and the WTO exist anymore. Exclusive clubs like the G8/G20 have disappeared. The aim in creating the New Multilateral System was to make clear cut changes and to take the opportunity to start anew. States are no longer the only decision-making power at the international level. Trade unions, business and NGOs have the right to vote. The backbone of the new system is the Global Governance Assembly (GGA) where states, trade unions, business and NGOs are equally represented. The GGA determines the general principals of the multilateral system. A Global Tribunal has been established to provide the system with "teeth". Cases can be brought to the Global Tribunal by all stakeholders, even individuals, after exhaustion of domestic remedies. Besides the Global Tribunal, dispute settlement mechanisms have been set up in each Global Organization. A Global Council was created in order to deal with sudden emergencies, such as the increasing number of climate catastrophes and their accompanying human disasters. To guarantee a high degree of complementarity, an

adjustment process takes place between the five Global Organizations (Global Investment Bank, Global Trade Organization, Global Labor Organization, Global Finance Organization and Global Environmental Organization) and between these organizations and states, trade unions, business and NGOs. Strategies and programs of the Global Organizations are coordinated closely.

The New Multilateral System cannot be blocked by vetoes. Decisions are generally taken by a dual voting system, which demands a specified majority of the number of stakeholders voting and a specified majority of votes weighted according to economic significance. This voting system ensures that smaller stakeholders count, but the greater importance of more influential stakeholders is also adequately reflected as they have to pay more of the bill. The main sources of funding for the New Multilateral System are provided by states and business and to a smaller amount by trade unions and NGOs. An independent Evaluation and Audit Office and policy review mechanisms within each organization were put in place to ensure the efficiency of the New Multilateral System.

The world is still struggling with cleaning up the pile of shards from the last decade's crises. The inequality gap between rich and poor is decreasing and further priority is given to stimulate business without neglecting the needs of small- and medium-sized enterprises and to provide aid to the most vulnerable. The latest crises bequeathed a world calling for a redefinition of the relationship between state and market. Today's decision-makers in government, business and civil society believe in strong public-private relationships, in which a perfect market is not formed by an invisible hand but by these visible stakeholders.

This concept has already put in place measures to expedite fairer trade, to set clearer financial regulations including a world currency, with special focus on ameliorating access to financial services for people living in developing countries and credit access for small and medium-sized economies. The price structure has changed. It now reflects the real costs by internalizing environmental costs and expenditures necessary to guarantee decent work conditions. Simply spoken, shareholder value is replaced by sustainable value. Especially the internalization of environmental costs has already led to stimulation in technological innovation which has created a large number of qualified jobs. States are investing tremendously in education systems to ensure that their citizens are capable of working in qualified jobs.



Background to the Geneva Scenarios

The Pathway towards the Scenarios

The FES Geneva scenario project on “Global Economic Governance 2020” lasted from April 2008 to April 2009. It applied the methodological framework of the Shell scenarios (Shell International 2003). They comprise four phases, i.e. research, scenario building, application and dissemination. The scenario building phase consists of three pillars, which are orientation, building and affirmation.

The FES Geneva scenario project was led by the director and his coordinators. They managed the process and guided the scenario team, which consisted of two groups. The core team, composed of nine Geneva-based experts, formed the backbone of the project. It provided technical inputs and shaped the exercise. The entire scenario team encompassed the core team and 13 other experts from various countries. This team came together for two workshops at a seminar center outside of Geneva, the Château de Bossey.

In the following, the scenario building phase of the “Global Economic Governance 2020” project is described in greater detail.

1. Orientation

Step one:
Narrowing down the theme

We intentionally gave the scenario exercise the broad title “Global Economic Governance 2020”. This allowed us to take a comprehensive view on the issue, but forced us at the same time to clearly define the topic, select institutions and identify actors. After intensive discussions with the entire scenario team, we specified the scenario theme. We agreed to focus on the topics of trade, finance and monetary issues, taking into account other areas, such as labor, environment or investment, insofar they might influence the scenarios. With regard to institutions, we primarily looked at the WTO, IMF and the World Bank. We also included relevant UN organizations, such as the International Labour Organization (ILO) and the United Nations Conference on Trade and Development (UNCTAD). The role of international fora, such as G8 and G20, as well as non-state actors, like NGOs, trade unions and transnational corporations, were also taken into consideration.

Step two:
Analyzing the present system

After having defined the theme, the orientation workshop focused on analyzing the disadvantages and advantages of the GEG system. For the two brainstorming sessions, the metaplan© technique was applied. During the “Wailing Wall” session, the scenario team identified the disadvantages of the current GEG system.

During the “Sunshine” session, the scenario team identified the advantages of the GEG system.

The orientation workshop showed that the current global system is not good enough to tackle present problems and future challenges.

Step three:
Identifying driving forces

Driving forces are external factors that have the potential to push a system into different directions. They “are the elements that move the plot of a scenario, that determine the story’s outcome” (Schwartz 1991: 101).

The scenario team identified the following seven driving forces that were considered decisive for the future shape of the Global Economic Governance system:

- Regionalism and bilateralism;
- Emerging powers;
- Consequences of climate change;
- Food and energy security;
- Financial instability;
- Technology;
- Private sector interests.

The driving forces *regionalism* and *emerging powers* directly influenced the building of the "March of the Elephants" scenario. The *consequences of climate change*, *food and energy security* as well as *financial instability* implicitly affected the shaping of all scenarios. The driving force *technology* showed exemplary the way, in which such a factor could lead to different directions: While innovations in certain food, climate, and energy technologies could "save the world", nano- and nuclear technologies have the potential to "destroy the world".

Step four:
Identifying critical uncertainties

Critical uncertainties are disturbing events or discontinuities that could lead to a radically changed environment. They cannot be predicted, but they might happen.
The scenario team identified the following seven critical uncertainties that could influence the future shape of the GEG system:

- Hot war between "centers of gravity";
- Nuclear war in the Middle East;
- World depression;
- Technological revolution;
- Collapse of the European Union;
- Implosion of China;
- New ideology.

The critical uncertainty *world depression* showed quite plainly how radically such factors could change scenario building. All four scenarios took into account as far as possible the potential consequences of the critical uncertainties mentioned. With the *new ideology* we meant a fundamental change in economic thinking and consumption behavior.

2. Building

Step five: Telling stories

The scenario team members wrote individual stories on what the GEG system could look like in 2020. These stories were clustered into four different categories. Stories in the first category depicted a multilateral system of substantially reformed international organizations; stories in the second category described to a large extent the status quo; stories in the third category focused on a regionalized world; and stories in the fourth category emphasized protectionist tendencies. The clustered stories formed the basis for the second workshop. For each of these categories, one selected story is reproduced in the following section.

Step six: Building the scenarios

During the building workshop three groups sketched out draft scenarios along the same lines. First, elements of the relevant stories were filtered out along the criteria polity (structure), politics (process) and policy (content). Second, the groups delineated draft scenarios. Third, these draft scenarios were presented to and discussed with the entire scenario team.

3. Affirmation

Step seven:
Writing and testing the scenarios

Based on the results of the building workshop, four draft scenarios were written. The scenario team and external experts continuously tested the scenarios against their plausibility, consistency, differentiation, comparability, clearness and transparency.

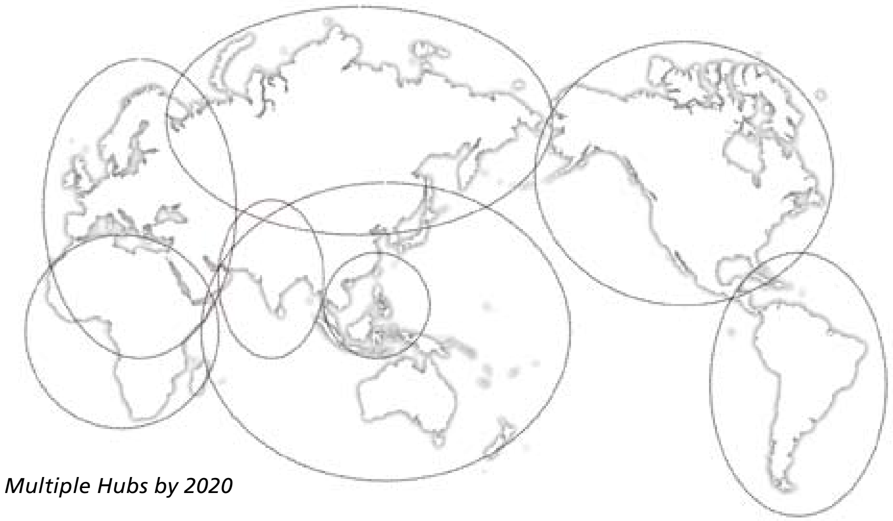
A Multi-Hub Architecture

In the year 2020, the world is struggling to cope with the developmental, economic, environmental, social and political challenges posed by climate change and global population growth and their respective associated impacts. As a means to adapt to climate change, developing countries are increasingly employing cleaner and renewable energy resources as main components of their energy infrastructure – leapfrogging over the use of fossil fuels. Developed countries are retooling their own energy infrastructure to lessen dependence on fossil fuels and reduce their greenhouse gas emissions. Population growth that takes place mostly in developing countries poses additional social and economic pressures on developing country governments to find ways to provide decent standards of living and economic opportunities – with some turning to labor migration strategies while others focus on improving domestic employment generation through rapid agro-industrial development.

A global struggle over natural resources – in some cases hot, in other cases cold – has also taken place in the years running up to 2020, as both developed and developing countries scramble to secure their sources of supply (especially with respect to energy sources, arable land and marine resources). An increasingly dense web of bilateral, regional, and plurilateral North-South agreements to govern economic relationships and access to natural resources develops, while countries continue to struggle with issues relating to the implementation of existing multilateral agreements (such as those in the WTO, UNFCCC and other MEAs) primarily along North-South lines. Issues relating to sustainable development continue to form the backdrop for North-South global interaction in 2020.

STRUGGLES AND DENSE WEB OF AGREEMENTS

To address sustainable development constraints arising from climate change, population growth, and natural resource access, many developing countries – especially those in southeast Asia, Latin America, and southern Africa – have started developing stronger geographically-based regional integration mechanisms that to some extent are delinked from developed country economies (especially in terms of technology, finance and labor), but still retain strong interlinkages with the latter (especially in terms of trading and finance relationships). Multiple hubs of regional integration arise or are in the process of forming by 2020.



Multiple Hubs by 2020

In 2020, for example, ASEAN, Mercosur, SADC and the other subregional mechanisms in Africa have gone much further down the road towards making their regions as truly integrated regional economies marked by integrated production, technology, finance, labor movement, and trade regimes. These southern regional integration mechanisms – also linked in many ways to the economies of China, India, Brazil and South Africa – provide much needed balance to the global economy in terms of diversifying the basis of global production and output and lessening global dependence on the developed North.

Elsewhere in the world, Russia's closer economic and natural resources ties to its "near-abroad" neighbours enable it to develop its own de facto regional economic sphere. Europe continues to be busy absorbing new members from the Balkans into its political and economic infrastructure while seeking to retain its influence in Africa (while Africa increasingly seeks to determine its own destiny); the United States has strengthened its economic ties to Mexico and Central American countries; and Korea, Japan, Australia and New Zealand increasingly look towards India, China and ASEAN as their primary economic partners.

INTERNATIONAL INSTITUTIONS HAVE CHANGED

The institutions for Global Economic Governance – i.e. the United Nations, the World Bank, the IMF, the WTO, and even institutions such as the Bank of International

Settlements (BIS) – are wearing new clothes or doing new things in 2020 as compared to their original mandates. As developing countries continued to assert their growing collective political strength and economic status in these different institutions, governance structures, decision-making processes, and institutional mandates started making incremental shifts.

THE UN

By 2020, changes in the membership of the UN Security Council and in the roles and functions of the UN General Assembly and the UN Economic and Social Council (and their subsidiary bodies) are well underway to more adequately represent the developing world's presence and concerns. Furthermore, the 2008 UN International Review Conference on Financing for Development gave impetus to a process launched in 2009 that led to a major international conference in 2013 to look at issues and possibilities for the development of a new global economic institutional architecture (e.g. a Bretton Woods II conference). Though this international review conference was initiated within the International Monetary and Finance Committee (IMFC) of the IMF, it later was subsumed as a process within the UN General Assembly. It came out with concrete recommendations regarding the role and functions of the UN, the IMF, the World Bank, the WTO, and the BIS with respect to Global Economic Governance, including recommendations on bringing in these institutions as specialized agencies of the UN.

THE WTO

The collapse of the Doha Round of WTO negotiations in 2008, and the attempt to restart it in 2010, failed due to continuing differences between developed and developing countries with respect to the development content and outcome of the talks. Subsequently, the WTO started focusing instead on looking at the technical implementation of Uruguay Round commitments and WTO members started maximizing the use of the WTO dispute settlement system. Groups of developing countries pooled resources to initiate dispute settlement proceedings against developed countries imposing WTO-inconsistent measures against developing country exports. At the same time, the group-based negotiating vehicles used by developing countries during the failed Doha Round evolved to become semi-permanent, though informal, features of the WTO's governance mechanisms. As more and more developing countries focused their efforts to build stronger regional integration mechanisms, innovation among developing countries flourished both at the national and regional level since 2010. As a result, trade and development policies were used as a medium to promote low-carbon domestic and regional

supply-side capacity development, agro-industrial diversification, and services sector development started paying off in the form of stronger domestic and regional competitiveness and more diversified and climate-adapted economic infrastructures.

THE IMF

After the downsizing of the IMF in 2008 and 2009 due to revenue shortfalls arising from the departure of developing country borrowers, and as a result of pressure from developing country members, the IMF moved away from policy-based lending to focus on multilateral surveillance of national financial and monetary policies, including those of developed countries. The financial crisis that first erupted in the US in 2008 and 2009 prompted countries to push for stronger domestic regulatory mechanisms over their financial sectors, and IMF members pushed the IMF to work with the UN to undertake more rigorous surveillance of financial policy and stability. Furthermore, between 2009 and 2015, increasing developing country pressure in the IMF for changes to the IMF's voting shares and formula saw more incremental changes being made, although by 2020, developed countries continue to hold the majority of such voting shares. Furthermore, changes were also effected beginning in 2012 with respect to representation on the IMF Board, as developing countries started insisting on being represented by developing country Board members rather than developed country Board members. Another significant change came in 2015 when for the first time, a non-European national was appointed as IMF Managing Director.

THE WORLD BANK

The World Bank, in turn, as fewer and fewer developing countries wanted to become World Bank borrowers, also started to downsize in 2010 and to reduce its policy-based lending programs. The influx of climate-related funding from developed countries in 2009 and 2010, despite opposition from developing countries, gave the World Bank a new lease on life as a conduit for voluntary and ODA-based financing for technology transfer to and climate mitigation actions in developing countries. However, in this area, the World Bank faces stiff competition from increasing levels of South-South cooperation with respect to climate change actions (in both mitigation and adaptation) as developing countries continue to experience difficulties with, and refuse to accept, the conditionalities imposed by the World Bank and its donors with respect to such financing. Internally, following the footsteps of the IMF, developing country pressure in the World Bank for changes in both voting shares and formula resulted in an incremental increase of chairs for developing country groups in the World Bank Board. There were also changes in the representation patterns on the Board, as developing countries came to be more and more represented by developing country Board members. Finally, in 2018, a non-US national became World Bank President.

BANK OF INTERNATIONAL SETTLEMENTS

The Bank of International Settlements, for so long a bastion of developed countries' central banks, by 2012 started opening itself up to developing country participation as the impact of the financial crisis of 2008-2009 led to increasing calls for domestic and multilateral regulation of cross-border financial flows. The 2004 Basel II accords of the BIS on capital adequacy of banks began in 2007; on developing country financial flows, domestic banking sector capitalization and stability, and domestic financial regulatory capacity. The impact of their implementation led to greater pressure from developing countries for the BIS to be more transparent and to involve non-BIS member central banks in its discussions. By 2015, sufficient pressure had built up for the G10 group of developed countries in the BIS to agree to further expand its membership to include more developing countries, and for the BIS to undertake a more active regulatory role with respect to cross-border capital holdings and movements.

Beginning in late 2008, international discussions relating to development aid and aid effectiveness became more and more focused on ending aid dependence, as developing countries sought long-term changes to the quality and quantity of development aid in order to support domestic development rather than continued aid dependence. By 2016, the international aid community officially declared that the goal of development aid should be to support an aid exit strategy – i.e. supporting the creation of development conditions that would allow for recipient countries to no longer require development aid.

All the while, the rhetoric of promoting South-South cooperation in various areas of development policy increasingly was matched by action. Bigger countries such as India, Brazil, China and South Africa boosted their South-South cooperation budgets and tried to the maximum extent possible to support collective developing country action and positions in different international forums. Smaller developing countries continued to work together through either their regional groups or issue-based groups.

THE WORLD IN 2020: A MULTI-HUB MODEL

By 2020, Global Economic Governance is being undertaken on the basis of a multi-hub model, with developing countries both individually and through their groups or regional integration mechanisms playing stronger and more influential roles both formally and informally. While developed country economies continue to be major drivers of the global economy, developing country economies – clustered in many cases around regional or country hubs such as India, China, ASEAN, Mercosur, SADC – are also major drivers with their own momentum within their regions and in the global arena.
The international institutions that existed in 2008 have started adjusting to the greater weight and presence of developing countries in the global political and economic system, and responding more positively in many ways to the development concerns expressed by developing countries.

In the context of addressing the global challenges of climate change and population growth, by 2020 the regional hubs have started playing key roles in shaping both national and regional responses to these challenges as contributions to global actions. The increased number of resources made available at the regional level due to more thorough regional integration improved the ability of developing countries to undertake important shifts in their energy infrastructures and development paths. This ultimately promoted lower carbon intensive production and consumption patterns while at the same time providing for sufficient economic opportunities for their growing populations.

The multi-hub world of 2020, born out of the challenges and crises of the early years of the 21st century, depicts a world where developing countries are able to chart their own development paths, and rely on themselves and their regional neighbours to improve their development prospects, and have more influence in shaping global economic policy.

A Dream Comes True

Our world is a different world in 2020. For sure, it continues to have instances of inequality, poverty, and violence – as we continue to be human beings with all our strengths and weaknesses. But important lessons have been learnt with broad agreement among all on the key priorities: pursuit of peace, emphasis on improving the quality of life for present and future generations, and endeavours to provide the opportunities and resources for the realization of basic human rights. Economic objectives are subservient to these priorities. Hence, the focus is on investments in education, health, and clean technologies. International trade and finance are pursued when they contribute to these. The world is more integrated through exchange of information, ideas and knowledge (with universal access to information and communication networks) and less through flows of trade and finance. While nation states retain an important position, the structure of global governance, including global economic governance, is multi-layered, with local, national, regional and international dimensions.

BOTTOM-UP APPROACH,
EFFECTIVE INSTITUTIONS AND...

The Global Economic Governance in this scenario has two guiding principles. One, the distribution of power among the layers follows a bottom-up approach. All power rests at the local level and is ceded upwards (i.e. to national, then regional, and then global levels) where needed. After the power is ceded in this manner, the regional and global institutions for economic governance have the full authority to take action in these areas. Hence, there are perhaps fewer areas where global institutions/structures are created but these institutions/structures are far more effective than the previous ones.

…FAIR TRADE

WTO is one such institution, though with a much more focused mandate. Its primary objective is to establish and enforce rules for *fair* trade and not the pursuit of *free* trade. Similarly, there is a global institution to deal with finance and monetary issues, whose primary objectives are to ensure global financial and monetary balances respectively. These global institutions are supported by regional arrangements of a similar nature.

The resulting world is not necessarily a wealthier world and it is certainly not a world organized from the top. But it is a world less prone to trade exploitation, financial and monetary crisis, widening inequality and poverty, and increasing violence.

A Greener World Economy

In March 2020, governments, industry and NGOs meet in Davos, a Swiss mountain town that has not seen snow for the past three years and whose many empty hotels are housing displaced persons from poorer regions of the world, massively affected by climate change. The World Economic Forum is the gathering of a rather small group of people, nothing compared to the fancy gatherings in the early 2000s, but still an old tradition.

In 2020, OECD countries achieve greenhouse gas (GHG) emissions reductions of about 20 percent, moving towards the 2050 targets agreed in the 2009 climate deal in Copenhagen. Developing countries are just starting to reduce GHG emissions, with binding targets beginning to apply in 2020. Despite this progress, the world is suffering from the more and more frequent climate-related catastrophes in many regions of the world.

But not all is gloomy. The monetary and financial crisis of October 2008 and the election of the first African American president of the United States has led the United States and other OECD countries around the world to begin boosting fiscal spending to fix real economies, and moving towards a new, greener, low-carbon world economy. The international community, under the UNFCCC, has put together a joint work program, investing heavily in renewable energy, including solar, wind and the use of municipal and agricultural waste for fuel, but also in techniques not yet known in 2008. The program is primarily funded from the CO2 emissions taxes.

US AND EUROPE: 50% FROM RENEWABLES

By 2020, the United States and Europe are producing 50 percent of their electricity from renewable energy and millions of new jobs have been created. Both the US and Europe have set up programs for job losses from the fossil fuels industries. The programs include schooling and reorientation and guaranteed jobs.

The UNFCCC has adopted an effective system to fund the implementation of adaptation and mitigation technologies and has set up processes to transfer technologies from developed to developing countries, and from developing to other developing countries. India has become a leader in mitigation and renewable energy technology and is actively spreading its knowledge across borders. China has continued to develop fast, but cannot provide enough jobs for its people. China is facing massive environmental and natural resource challenges including the lack of clean drinking water for millions of people. Over the past decade, China has invested heavily in Africa to feed its economy with natural resources from that continent, but Africa has gained little, if anything, from that investment.

NO NEW TRADE DEALS

The international financial institutions have changed little, though the World Bank under Robert Zoellick's successor, gradually moved away from funding fossil fuel projects. The IMF has gained importance since the 2008 financial crisis, but has changed little in terms of institutional reform. The WTO in 2020 continues to function, including its dispute settlement mechanism, the hearings of which can be followed via the internet. No new trade deals have been agreed since the Uruguay Round, but important issues are resolved and discussed in the technical committees, which are open to the public.

By 2020, the international community has negotiated a new treaty on transnational investment under the auspices of the UNCTAD. The first working draft reflected the same approach as the bilateral investment treaties, but developing countries refused to sign such a deal and negotiated a more balanced agreement, which also includes principles of corporate accountability.

Descent into the Abyss

2008 saw a black president win a landslide election in the United States. In January 2009, he was sworn in and expectations were sky high that he would deliver on economic reform in the US (put the economy back on track), regulate Wall Street and provide leadership on the regulation of finance at the global level as well. There were expectations that he would put an end to the war in Iraq, smooth over relations with Iran over its nuclear facility, hence lessening the furor of Muslims regarding American arrogance and flexing of political and military might. There were even expectations that he might have been able to provide some leadership in the peace talks in the Middle East. In addition, he had pledged firm commitment to implement policies to alleviate the planet in peril by taking America on the path of energy-efficient growth.

America embarked on the path of protectionism. Stimulus packages were handed to various sectors to ensure their global competitiveness. The deficit was at an unbelievably high level. Unemployment hit 15 percent by 2009. The economy was in deep recession.

The US recession bit into China, whose GDP contracted significantly in 2009. Europe, Asia and many countries in Africa were all in recession.
The major economies took steps to put in place protectionist policies. However, Europe continued to march ahead to negotiate Economic Partnership Agreements with all parts of the developing world. Frightened by the sense of protectionism they saw, developing countries rallied for the conclusion of the Doha Round by 2011. They also continued to sign Free Trade Agreements with the EU; their markets were opened. In addition, they provided free access to European investors seeking to mine their raw materials.

COMBATS OVER RESSOURCES

By 2015, in the attempt to produce their way out of recession, the demand of the economic powerhouses for raw materials increasingly led to tensions between developing countries. Africa was valued for the accessibility of its raw materials – cobalt, lithium, platinum, titanium and tantalum. China, which had previously tended to be non-confrontative, became more assertive in protecting what it saw as its entitlement to resources in certain parts of Africa. There was a stand off between China and the European Union over resources. The EU claimed that the Chinese had breached previously signed agreements over raw materials. These tensions were also played out on the ground. With fights breaking out in territories where raw materials were, and local elites were pulled between the Chinese and Europeans.

GLOOM AND DOOM

Meanwhile, China also bought up endless tracks of land in Africa for the production of food to be exported to China. While initially this was welcomed by Africans as investment that would provide jobs, the result was the swelling of numbers of urban destitute in Africa.

A new administration took over the White House by 2016. There was a swing towards the Republican party since eight years of Democratic control did not go far in delivering goods in terms of the economy. The United States had climbed out of a long recession, but growth remained very sluggish and unemployment rates were still hovering between 8-9 percent.

In the meantime, poverty in Africa was exacerbated by climate change and water scarcity. Water became the main issue towards 2020, leading to emergencies in Africa but also a revival of tensions between the major powers. Corporations were fighting for water – in the agri-business sector, in manufacturing etc. People were also fighting over water and disease outbreaks were very frequent throughout Sub-Saharan Africa, even throughout China and India and other Asian countries.

By 2020, the inequalities already so stark in 2008 have increased manyfold. The regionalism which countries had aspired to never really took root, and certainly not in Africa, where the continent remained simply a mine for European, Chinese, and American corporations. All in all, there has been a descent into gloom and doom and little leadership has been shown on the international stage about how the global community can reverse cause.

Group 1: *Regionalism*

1. Starting point 2008

In 2008, the Global Economic Governance (GEG) system was in crisis. It was unable to cope with the global problems at that time, such as food and energy security, the financial crisis or the challenges of climate change. This was referred to as "dysfunctional multilateralism" or a "global governance gap". At the same time, new emerging powers, such as Brazil, China or India, gained both economic and political strengths. Thus, the unipolar (US dominated) or bipolar (US and EU) world order turned multipolar again. Emerging powers made clear that they wanted to have their say in the global decision-making fora and it became obvious that no important multilateral decision could be taken against their will. While this led to a deadlock of the GEG system, which proved ineffective in solving global problems, there was the common understanding that global problems could not be solved by a single country either.

2. The way to 2020

While in 2008, the inadequacy of the traditional international organizations (WTO, IMF, World Bank, UN) and their decision-making mechanisms was widely acknowledged, conflicting interests and blocking minorities diluted all attempts at institutional reform. Governments could neither agree on a multilateral solution to the severe crises, which lasted for several years, nor could they find a common basis to reform the multilateral system in a way that would have lived up to their respective interests. Moreover, the pressure to react to the crises increased in the light of the national economic, increasingly social – and sometimes even political – emergencies, in the form of high unemployment rates, wage deflation and even social unrest. Thus, emerging powers shifted priorities and increasingly relied on their national strengths. They turned to more immediate spheres of influence in their neighborhood that they could control directly, advanced the economic integration of their respective region and formed strong regional blocs ("centers of gravity"). At the same time, they withdrew from multilateral processes. Smaller countries saw no other way out than to fasten onto the main economic power in their region under a "hub and spoke" system.

In the next few years, the WTO continued to exist and provided the ground rules for international trade. However, in practice, it became irrelevant given the dominance of bilateral and regional trade flows (governed by bilateral and regional trade agreements) and a general disregard for WTO's dispute settlement rulings. The IMF and World Bank also lost importance and their functions were taken over by regional development banks. While the UN continued to operate, no legally binding laws, rules or regulations were agreed upon at the international level.

By 2018, global problems deepened and a global struggle over globally scarce natural resources (especially energy, arable land, water and marine resources) started, which even led to violent clashes between major economic powers and regions. Still in the same year, the "World Council of Regions" was established as an exclusive forum for the world leaders to deal with global problems. The main economic powers built up coalitions and got support from their neighboring countries to gain influence and political leverage. They used this leverage for occasional multilateral negotiations on issues whose scope were beyond a regional solution, such as climate change. The main economic powers willingly offered preferential market access, development assistance and foreign direct investment to their smaller neighbors. In exchange for this support, on which they depended, these smaller countries provided "their" regional economic power with cheap resources and political support. However, the development of the different "centers of gravity" was uneven.

3. "Harmonious and Conflictive Regionalism in 2020"

In the year 2020, traditional international organizations in their past form lost their importance (such as WTO), were bypassed (such as IMF and World Bank) or are widely ignored (such as the UN). Main economic powers formed strong regional blocs ("centers of gravity"), incorporating surrounding smaller countries with different levels of economic and social development. Regional development banks have largely taken over the functions of the IMF and World Bank. The regional blocs have different degrees of integration, different structures and different forms of interaction. This depends on the history and duration of the integration process, the economic differences between participating countries as well as social determinants and cultural factors. National interests were the most important driving forces for building these "centers of gravity", among them the search for food and energy security, political and economic power, and an increased sphere of influence. Global economic governance has been reduced to the interaction between those "centers of gravity".

While some regional blocs function well, others are rather fragmented regional areas. Seven blocs dominate the scene:
- the "European Union" (with now 40 member states); currency: Euro
- the "US/North American bloc"; dominant currency: US Dollar
- "China"; dominant currency: Yuan Renminbi
- the "India/South Asian bloc"; dominant currency: Indian Rupee
- the "Brazil/South American bloc"; currency: a new regional currency, based on the Brazilian Real;
- the "Russia/Central Asian bloc"; dominant currency: Russian Rouble; and
- "ASEAN"; currency: new regional currency.

Countries that are not part of these blocs face a difficult situation. Some of them are strong enough to maintain a degree of independence from the blocs, such as Japan, Korea or South Africa, and negotiate mutually beneficial trade and investment agreements. If they are politically and economically weak and have natural resources, such as most African countries, they are subject to attempts from different blocs to get these resources, either against compensation or by military force. This leads to "proxy wars" in these regions (to put it bluntly: "Africa as a battlefield"). Other countries, because of their strategic and geopolitical position (e.g. Egypt, South Africa) or due to their wealth in energy resources (e.g. Iran, Saudi Arabia) and other decisive raw materials remain independent, but are subject to attempts to get their resources by main economic powers. The MENA (Middle East and North Africa) region is a good example since it is not a strong regional grouping, but exerts a certain influence on the other regions due to its wealth in natural resources. However, given that region's dismal record at acting in a unified way, there is the danger that it similarly could turn into a battlefield of the dominant powers. Africa, in particular, remains a disintegrated region although a number of overlapping regional integration agreements are still in force on the paper. It is characterized by a number of failed states and high levels of corruption and poverty.

The regional blocs interact with each other and meet occasionally at the "World Council of Regions" (WCR).

The WCR provides the platform for pragmatic dialogue between the regional blocs, which are represented by the respective main economic powers.

The regional blocs also compete with each other for globally scarce resources, such as water, food and energy. Sometimes, there are (stable) contracts between external resource providers and regional blocs. However, diplomatic tensions and saber-rattling occur frequently. While most conflicts are solved through bilateral meetings, sometimes they even lead to "proxy wars", in particular in Africa and the Middle East. Interregional cooperation is limited and each region tries to solve even global problems regionally. Nevertheless, once there is a common interest to solve a global problem globally, such as climate change, a framework is established on a case-by-case basis. Sometimes three or more blocs agree on a topic, i.e. "pluri-regional" agreements are possible.

Intraregional trade dominates and trade barriers within most regions have been gradually lifted. The main economic powers are investing heavily in regional infrastructure, which leads to stronger regional trade and production networks. Localized and regionalized water, food and energy systems are in place, although they are not always sufficient to wholly meet the demand of the member countries. Trade and investment between the regions occur if there is not enough capacity to do so in the respective regions themselves.
Some regions have achieved monetary integration with regional institutions (albeit mostly dominated by the regional power) acting as lenders of last resort and managing external currency fluctuations. In other regions, smaller countries have adopted the lead currency or pegged their exchange rates to it, giving the regional power the dual benefit of stable exchange rates and monetary autonomy. While exchange rates within each region are thus mostly fixed, currencies between the regional blocs fluctuate. Sometimes, competitive currency devaluations happen.

Transnational corporations adapted to the new structures and built regional production networks during a process of demergers and new mergers. However, for the companies still acting on an interregional level, doing business has become more complicated and costly.

In the following, each of the seven blocs is described in greater detail:
The EU has the highest degree of integration, backed and locked in by a detailed and forceful legal framework. In 2015, a new European Constitution was passed, which updated EU's internal structure, taking into account the increased membership. The EU is a political union, with common policies in many areas, among them trade, economics, finance, but also social, environmental and others. The common

internal market with free movement of goods, labor, capital and services functions. Moreover, a minimum standard of living is guaranteed for all member countries, which prevents social unrest and is based on the principle of subsidiary. The Euro is the common currency, used for all EU internal financial transactions; but it also remains a strong currency at international level. The European Criminal Court was established and even companies have the possibility to sue other companies at that court. Decisions in the EU are taken by weighted majority vote (combination of population and size of GDP). At interregional fora, first and foremost the "World Council of Regions", the EU speaks with one voice concerning all policy areas.

The US forms a bloc together with Canada, Mexico and smaller states in the region. That bloc is dominated primarily by economic and trade considerations. The regional market is completely open and regional production networks are established. A regional criminal court is in place to deal with trade and investment conflicts. The US emphasizes the importance of labour and environmental standards and provides for technical assistance to improve the social conditions in the smaller countries of the bloc out of the realization that migration flows into the US would lead to much bigger problems otherwise.

Brazil, China, India and Russia are the leaders of regional blocs, which they dominate and use as leverage for their influence on other blocs and nations. In return, they offer aid and cooperation to their surrounding countries, which in its extreme form resemble "vassal states". Regional financial structures are in place and regionally-operating private sector entities have intensified their contacts and built up regional production networks. Decisions are taken by the leading powers and accepted by the members of the respective blocs.

Brazil could be considered as the most "benign" emerging power. The South American Free Trade Area works fine and a new regional currency, based on the Brazilian Real, is in place. However, the main problem is to manage national and regional asymmetries, which involve political tensions. The bloc makes good use of its development possibilities in the form of the cultivation of large fertile areas, the exploitation of its huge and diverse minerals, the utilization of its rich biodiversity, and the development of different sources of energy.

China is with 1.5 billion people the largest power concerning population. It forms essential part of the Asian Union, jointly led by China, India, Japan, (the unified) Korea and ASEAN in the form of a rotating Presidency by these five powers. While the Asian Union is not a political union and heavily divided in military and defense policies, it has a high degree of integration concerning trade and investment and established the free movement of goods, services and investment. The movement of labor for all eligible professionals is facilitated thanks to the Asian Union Travel Pass. The Asian Union has its representatives in major interregional policy arenas and has observatory status at the "World Council of Regions".

India, with 1.3 billion people, is the second largest power concerning population. It has intensified its economic, trade and investment relations with its smaller neighboring countries that are part of the South Asian Free Trade Area in particular. However, this bloc is limited to economic cooperation, while political relations remain tense, especially between India and Pakistan. India forms a strong part of the Asian Union and is influential in shaping policy areas of common interest.

Russia combines economic pragmatism with a strong emphasis on security issues to consolidate its influence over the former Soviet region, except for the Baltic countries. Economic cooperation is based on a common market concept with moderate reservations and exceptions varying from country to country. Political integration is limited to coordination agencies responsible for particular fields of common interest. Russian energy, foreign direct investment and demand for imports are the major centripetal forces and the Rouble is used intensively for regional trade. Although most members of the regional bloc, including Russia in 2010, joined the WTO, trade conflicts between them are, as a rule, managed on a bilateral basis. The EU remains the principal economic partner, with the bilateral Free Trade Agreement signed by Russia and the EU in 2012.

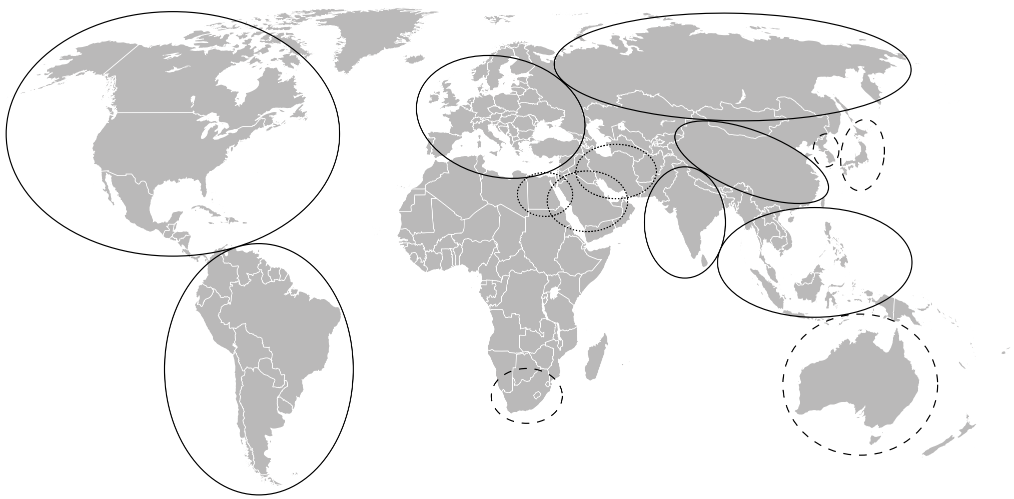
ASEAN has since the entry of Timor-Leste as its 11th member in 2010 slowly forged deeper levels of regional economic (financial and trade) and political integration, though not yet on a par with the EU. Although still plagued with widely varying levels of economic development, ASEAN has managed to steer a path of economic and political independence for the region and its members while at the same time maintaining strong ties with China, India, Japan and Korea through the Asian Union. With its almost 750 million people and an increasingly deeply integrated regional economy, relatively self-sufficient in terms of labor, capital, technology, and energy resources, ASEAN is continuing to pursue its vision of deeper regional unity based on the ASEAN way of consensus decision-making and non-interference.

4. The role of critical uncertainties

The identified critical uncertainties of the *collapse of the EU* or the *implosion of China* would probably not affect the basic structure of the scenario, although having detrimental effects on the concerned regions, given that the consequences would remain limited to the respective regions. A *world depression* would negatively affect this scenario, although not as severely as the other scenarios, given that economics in the respective regional blocs work to a certain degree independently from the world outside. A *technological revolution* or *new ideology*, however, could change the scenario dramatically. Innovations in the energy sector (hydrogen, solar, thermal) could lead to positive impulses with even multiplier effects for development. A *new ideology* could reverse the common trade, investment, financing and consumption patterns in various ways, which could either intensify regional integration or trigger a renewed sense of multilateralism.

5. Political message

Regional integration has gained importance since the mid 1990s. In the aftermath of the severe crises since 2008, there was no "big bang"; rather a process of intensified regionalism started, triggered by the inadequacy of multilateralism. Regional integration is the main focus for policy-making, while multilateral institutions have been bypassed. Regionalism advances development in the countries involved, but proved ineffective in solving global problems.



A world dominated by regional blocs

Group 2: *Multilateralism*

I. Introduction

1. Aim of the new system

The scenario envisages a world of "global governance" but not of global government. Nevertheless, it is a world that has agreed to replace the largely ineffective United Nations system and associated international institutions with a set of stronger institutions. The new system was designed to overcome the weaknesses in the UN-based system, just as the designers of the United Nations sought to overcome weaknesses in the design of the League of Nations. The global crises of 2008-2015 forced recognition that global survival depended on more serious international cooperation. The new system had to be one that earned the confidence of the bulk of people in rich and poor countries, of labor and capital, of public and private sectors.

The hard reality in 2020 is that states are perforce still the predominant decision-making units, and that national legislation is often required to turn international agreements into laws that bind non-state actors, and which national courts will enforce. It was recognized as essential for global buy-in that the agreements reached in the new system have a stronger status than most decisions taken under the United Nations, which were too often limited to diplomatic but ineffective and aspirational targets.

2. New Challenges

The world has become more complex. Security was the major driving force leading to the establishment of the United Nations after the disastrous Second World War, with the Security Council at its heart. Today, security has not lost its importance. But other issues like labor standards, human rights including economic and social rights, development, migration and climate change have been added to the politically salient challenges of the 21st century. Therefore a modern multilateral system was indispensable building a structure around these policy concerns.

None of these policy concerns could be dealt with separately any longer. It was obvious that they are strong- ly intertwined. Labor standards have a positive effect on social and economic development, which can reduce the attraction of emigration in poorer countries and regions. Increasing desertification, droughts, hurricanes and other climate extremes associated with global warming, as well as conflicts and economic hardship, hinder development and force people to look abroad for work. Social inequalities and massive migration can destabilize countries and regions. Thus, there was a need for a multilateral structure to enable a genuinely coherent policy.

II. The new system: the structure

1. Two-level structure

Because the world is terribly complex, the new world system envisioned two levels of international deliberation and cooperation. Specialized international institutions address specialized policy issues, such as in rules for international trade policy or cooperation for international financial stability. A Global Governance Assembly determines the overall principles that guide these aforementioned institutions, and the priorities in terms of resolving conflicts among them.

2. The Global Governance Assembly

The Global Governance Assembly (GGA) is at the heart of the multilateral system. Every state is equally represented in the GGA. In principle, the head of state or head of government chairs each national delegation and participates in annual meetings. The GGA determines the overarching guiding principles of the entire international system: human rights and sustainable development. The GGA sets the agenda and formulates the general policy of the multilateral system. The principles adopted by the General Governance Assembly have to be recognized in all international organizations. They are the basis of the international policies and have to be respected throughout the whole policy process, from policy formulation to its implementation.

3. The Global Council: quick action – no veto

The designers of the new system added a 15-member Global Council as an affiliated body of the GGA. The Council deals with complex economic and political emergencies, including social and environmental

emergencies. It is subject to review by the GGA.
The Council comprises a group of large state members that are elected for ten-year terms and another group that are elected for two-year terms, with appropriate geographical distribution. Thus, difference in economic and political power among states is recognized. No member of the Global Council has a veto and decisions are taken by a specified majority vote, each member counting as one.
To intervene militarily in a country, a larger majority is needed than for mobilizing an environmental rescue. Disappointed minorities have been given the right to appeal Global Council decisions to the GGA, which is empowered to overturn them.

4. Global Organizations

Over more than half a century, the United Nations system grew to so many institutions and specialized agencies that it was hard to keep track of them. Therefore one aim in designing a new multilateral system was to cut down the number of institutions with overlapping mandates that competed with each other rather than worked in a complementary way. Simply reducing the number of institutions is one thing; to build powerful ones is another story. The Global Governance Assembly and the Global Council are the backbone of the new system but they are not able to deal with everything in detail. The GGA thus established four major Global Institutions: the Global Investment Bank, the Global Trade Organization, the Global Finance Organization and the Global Environment Organization.
These organizations are bringing about a rebound of confidence in the international system. First, national concerned ministers meet on a regular basis during the board sessions of these organizations. Public interest has increased tremendously, knowing that decisions taken at the international level have direct bearing on domestic politics. Second, to underscore the rule of law and the organizations' predictability, dispute settlement mechanisms have been established within each organization. Third, representatives from civil society and the private sector have unhindered access to meetings and information during decision-making processes. Fourth, due to their clear policy mandates, global organizations act more swiftly and in a more comprehensive way. The purviews of the global organizations are the following:

Global Investment Bank (for Public Goods)
Health, environment, food, natural resources and research and development

Global Trade Organization
Fair trade including social and environmental standards, international competition and their enforcement

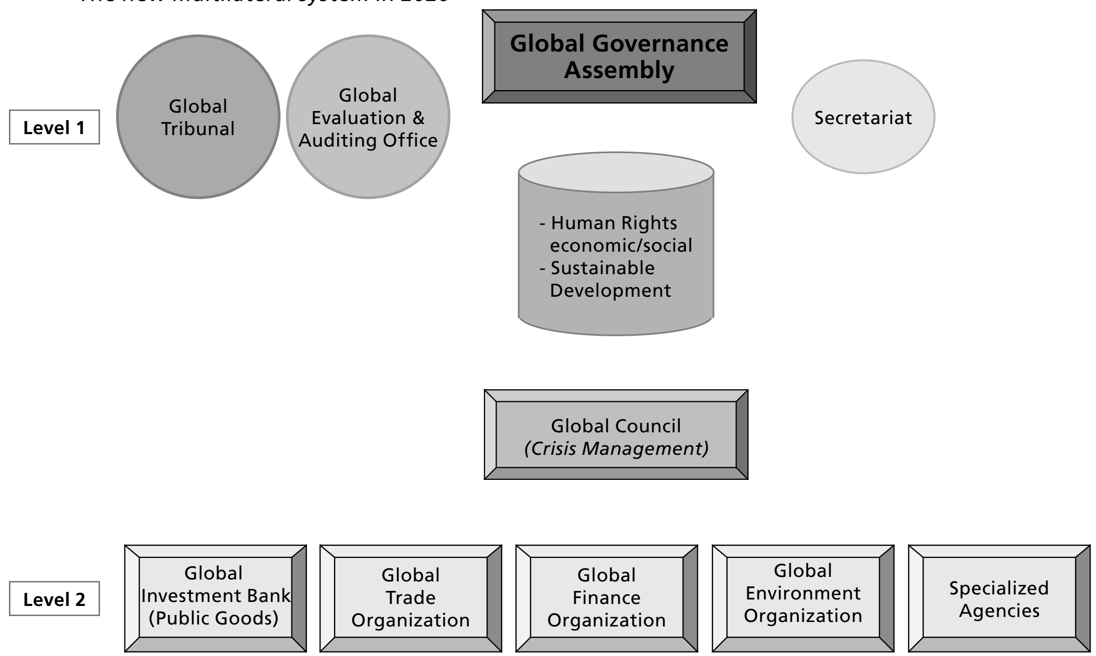
Global Finance Organization
Surveillance of macroeconomic coherence, global harmonization in norm setting in financial regulation, harmonization of tax rules, procedures for sovereign bankruptcy

Global Environment Organization
Comprehensive body of legislation, coordination, Copenhagen Protocol, enforcement

5. Specialized Agencies

Specialized Agencies have been established to link national technical capacities into an international system (for example, mailing, telecommunications, air traffic control, weather monitoring) and provide countries with technical assistance, capacity training and policy advice (for example, health and educational services for children, public administration). They work on solutions for complex structural and reform processes.

The new multilateral system in 2020



III. The new system: the mechanisms

1. Judical Review

The two-level approach was adopted for the judicial reviews as well. Because of the likelihood that disputes would arise in interpreting international agreements and decisions, especially when they had "teeth" (legal power), a judicial review process was envisaged to be part of the system. Non-state actors as well as states are empowered to bring complaints to the international processes; e.g. after exhausting domestic remedies. Each Global Organization and Specialized Agency has a Dispute Settlement Mechanism as part of its structure, with the possibility to appeal to the Global Tribunal.

2. Decision-making procedures: dual voting systems

Decisions are generally taken by a dual voting system demanding for a specified majority of the number of states voting and a specified majority of weighted votes by economic significance. This voting system makes small states count and the importance of big states is adequately reflected as they have to pay more of the bill.
As the criteria for being a "big" or "small" state may differ between the institutions due to their specific agenda, the weights are determined in an agreed way within each organization. Within the Global Finance Organization, for example, financial contributions determine size for voting purposes whereas within the Global Environment Organization, population size and per-capita emissions are selected as weighting factors. Per-capita emissions have a negative impact on the voting weight of one state.

3. The new actors: not only states but all relevant stakeholders

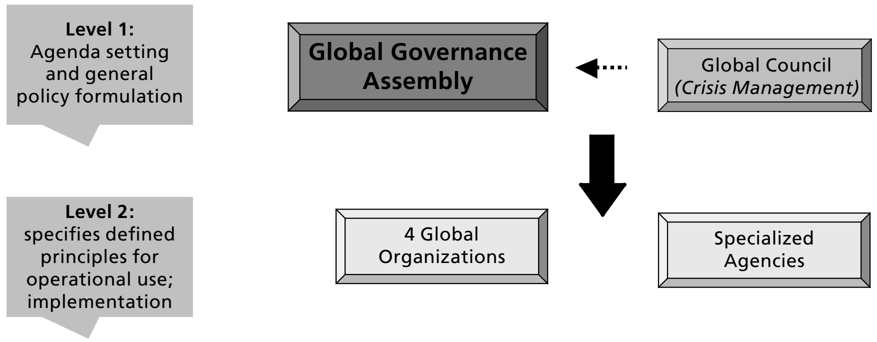
The designers of the new system thought it essential to the legitimacy of global governance that all relevant stakeholders participate in the policy-making process at specialized and overall global levels. While decisions can only be taken by states in the Global Governance Assembly and the Global Council (level 1), but also in the Global Organizations and Specialized Agencies (level 2), it is essential to bring all relevant stakeholders into discussion with each other on policy matters before, during and after their adoption.

4. Coordination and complementarity

Goal-oriented coordination is a prerequisite to ensure a complementary and comprehensive policy. The new system is based on a two-level structure which is reflected in its coordination mechanisms between the different bodies and organizations. The first level, namely the Global Governance Assembly and the Global Council, are dealing with the effectiveness of the system ("Are we doing the right things?"). They set the agenda and formulate the overall principals of the multilateral system. On the second level, the Global Organizations and Specialized Agencies work on the efficiency of the system ("Are we doing things rightly?").

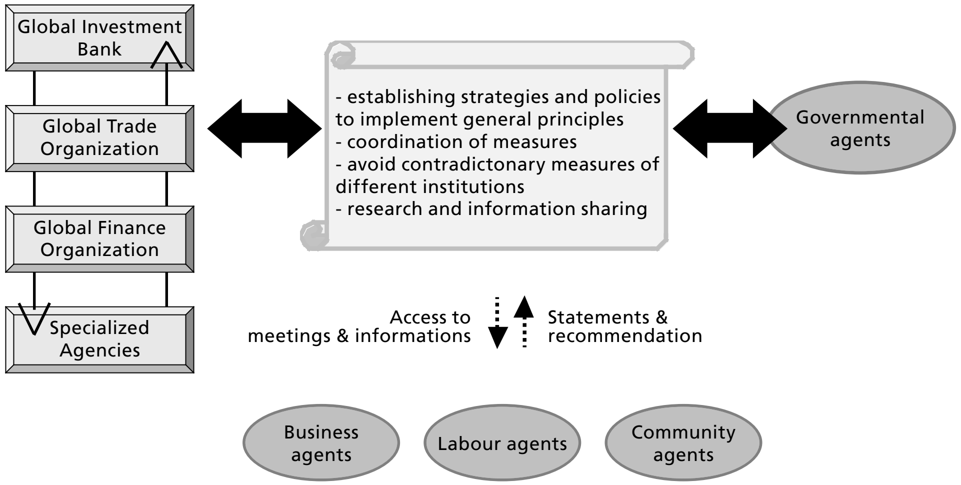
Thus, vertical coordination takes place from the Global Governance Assembly/ Global Council to the Global Organizations / Specialized Agencies.

Vertical coordination: Multilateralism in 2020



Horizontal coordination encompasses basically two purviews: the interorganizational coordination between the Global Organizations and the Specialized Agencies with the principal aim to guarantee complementary strategies during the implementation process. Secondly, the coordination between these entities and the agents from national governments tries to ensure that strategies and programs take into account the special needs of states concerned. The latter point is of great interest for organizations from civil society and the private sector. Thus, their access to meetings and information has to be assured. They are permitted to make statements and recommendations which have to be reflected in setting up the programs.

Horizontal coordination: Multilateralism in 2020



5. Monitoring and Evaluation: increasing coherence

The old United Nations system was incapable of increasing fundamentally its coherence even after the commitment to the Millennium Development Goals (MDGs), common objectives for the entire UN System. The MDGs were hardly achieved, particularly not in least developed countries. Therefore, the new Global Governance Assembly emphasizes the need for its secretariat, the new Global Evaluation and Audit Office and system wide policy review mechanisms to play a crucial role in forging coherent and effective international policy to realize global goals.

The additional level of state commitment to the decisions and agreements reached in the new system requires an effective secretariat for monitoring and reporting. Decisions taken by the specialized agencies have to be reported to a special department of the secretariat. This department collects these decisions and processes them in a clear and understandable manner to see how (and whether) they fit into a coherent whole. The United Nations system was characterized by overlapping programs and projects in different bodies and agencies working sometimes at cross purposes. With this new system of reporting and processing, members of the Global Governance Assembly and the Global Council are informed much more easily about the overall work of the multinational system. All reports are available at the secretariat's website. It also puts new pressure on member states to report in a full and timely manner on their implementation.

In addition, however, the Global Governance Assembly created an independent Global Evaluation and Audit Office to undertake financial and performance auditing. Its work is based on three criteria: risk analysis, potential for improvement and public interest. The Global Evaluation and Auditing Office reports directly to the GGA rather than to the secretariat. Indeed, such evaluation and auditing services were also established at the level of the Specialized Agencies to operate in parallel with the overall effort. Another measure to enhance coherence in the international system was taken by establishing policy review mechanisms in all of the four Global Organizations.





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italic = Nationality

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Scenario Building on ***"Global Economic Governance 2020"***

FRIEDRICH EBERT STIFTUNG

Questionnaire:

1) *How do you see the future of your institution?*
2) *What are the driving forces in shaping the global economic governance from your point of view?*
3) *What is your vision of global economic governance in 2020?*
   a) *What would you like to see?*
   b) *What would you not like to see?*

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Abbreviations

ASEAN	Association of Southeast Asian Nations
BIS	Bank of International Settlements
EU	European Union
GDP	Gross Domestic Product
GEG	Global Economic Governance
GGA	Global Governance Assembly
GHG	Greenhouse Gas
ILO	International Labour Organization
IMF	International Monetary Fund
IMFC	International Monetary and Finance Committee of the International Monetary Fund
MDG	Millennium Development Goals
MEAs	Multilateral Environmental Agreements
MENA	Middle East and North Africa
Mercosur	Southern Common Market
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SADC	Southern African Development Community
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
UNCTAD	United Nations Conference on Trade and Development
US	United States
WCR	World Council of Regions
WTO	World Trade Organization

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· Developing independent media structures
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· Gaining recognition for human rights

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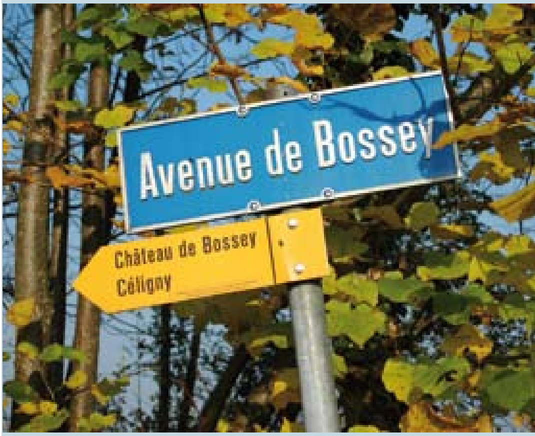
Château de Bossey

An international place where the vision could be taught, explored, tested, experienced, and celebrated.

These are the words of W.A. Visser't Hooft, the founder of the "Ecumenical Institute" at Château de Bossey, a seminar and dialogue centre of the World Council of Churches, 20 km outside of Geneva. Inspired by this vision, the FES chose this location as venue for its scenario building.



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